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**FISCAL IMPACT STATEMENT**

**LS 7217**

**BILL NUMBER:** HB 1619

**NOTE PREPARED:** Jan 14, 2015

**BILL AMENDED:**

**SUBJECT:** South Shore Sales Tax Increment District.

**FIRST AUTHOR:** Rep. Slager

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☒ FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides for a Chicago, South Shore, and South Bend Railway (Northern Indiana Commuter Transportation District; NICTD; South Shore Line) sales tax increment financing corridor that exists through 2045. It provides that 75% of the Sales and Use Taxes collected within the corridor above the amount collected in 2014 is to be allocated to the Northwest Indiana Regional Development Authority (RDA). It provides that up to 67% of the allocation may be used for project financing and the remainder must be used to provide dollar-for-dollar matching grants for any eligible municipality or political subdivision that commits to participate in the West Lake Corridor Project using Local Income Tax Revenue (LOIT) to match the grant.

The bill requires the RDA board to approve projects. The bill requires Budget Agency findings and approval of projects. It requires annual reports to the state. It also requires the Office of Management and Budget to do a review and report in 2030.

**Effective Date:** January 1, 2016.

**Explanation of State Expenditures:** *Northwest Indiana Regional Development Authority (RDA):* The RDA may resolve to use incremental sales tax revenue for the funding of the South Shore Line. Of the total funding captured by the RDA, 67% may be used for project financing, and the remaining 23% is to be used as dollar-for-dollar matching fund grants for local units who wish to provide LOIT funding (specifically County Economic Development Income Tax (CEDIT)) for the West Lake Corridor Project. The bill's requirements are within the RDA's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

*State Budget Agency (SBA):* The bill requires the SBA to review and approve the RDA's resolution for using incremental sales tax revenue captured in the sales tax increment financing corridor, the map of the corridor, and the list of vendors and street names and numbers within the corridor. The SBA should have sufficient resources and staff to implement the provisions in the bill.

*Department of State Revenue (DOR):* The DOR is required to determine the gross retail incremental amount each year and notify the development authority and the SBA of the amount. The development authority is required to provide to the DOR a list of the vendors and street names and numbers in the corridor, and vendors and political subdivisions in the district are required to report to the DOR any information necessary to calculate incremental sales taxes. The DOR should have sufficient resources and staff to implement the provisions in the bill.

*Office of Management and Budget (OMB):* The bill requires the OMB to conduct a review in 2030 of the grant projects undertaken, amount of incremental sales tax revenue, and the outstanding debt incurred in the sales tax increment financing corridor. This requirement would result in an additional one-time cost. The OMB should have sufficient resources and staff to implement the provisions in the bill.

*Additional Information:* The South Shore Line is a commuter rail line that runs from South Bend through St. Joseph, LaPorte, Porter, and Lake Counties and terminates in Chicago. The West Lake Corridor Expansion Project is proposed as a southern branch that would serve west Lake County. The West Lake Corridor Expansion Project would run from Hammond to Dyer.

**Explanation of State Revenues:** *Summary:* The bill allows the RDA to establish a sales tax increment financing (STIF) district for the area within 0.5 miles of the South Shore rail line and the Hammond to Dyer line (West Lake Corridor) starting in CY 2016 and ending in CY 2045. The bill could potentially divert an indeterminate amount of state sales tax revenue from the state General Fund and other funds to the development authority's Rail Transit Development Corridor Fund.

The net revenue impact of diverting sales tax revenue from the state General Fund and other funds receiving sales tax revenue depends on the extent to which revenue from other taxes attributable to investment in the district is impacted. However, if the investment would have occurred in the absence of the STIF district, the state incurs a revenue loss equal to the total amount of sales tax collections diverted to the Rail Transit Development Corridor Fund.

*Additional Information* - The amount of sales tax revenue diverted to the RDA is equal to the difference between the annual amount of sales tax collected within the district and the amount collected within the district in CY 2014, multiplied by 75%. Data are not currently available to estimate the amount of sales tax collected within the district. However, certain Community Revitalization Enhancement Districts (CREDS) could provide a benchmark. CREDS capture incremental sales tax revenue as a source of funding. In FY 2013, the average incremental sales tax revenue captured by CREDS established under the 1st/2nd class cities statute was \$2.3 M before caps were applied. However, these CREDS may have different compositions of businesses than the STIF district in the bill. The CREDS considered were the Downtown Bloomington, Downtown Fort Wayne, and Lafayette Square Indianapolis CREDS.

Sales tax revenue is currently deposited in the General Fund (98.848%), Motor Vehicle Highway Account (1%), Commuter Rail Service Fund (0.123%), and Industrial Rail Service Fund (0.029%).

**Explanation of Local Expenditures:** If the RDA creates a STIF district, it will incur an increase in administrative costs to create a Rail Transit Development Corridor Fund and provide the DOR updated lists of entities operating within the corridor.

**Explanation of Local Revenues:** The STIF district could receive an indeterminate amount of incremental sales tax revenue through CY 2045. The exact amount of revenue depends on the businesses operating within the STIF district and the overall economic climate. Not more than 67% of the incremental revenue may be credited to a project financing account, and the remainder is to be credited to a project matching grant account.

Local units who wish to contribute funding for the West Lake Corridor Project may receive dollar-for-dollar matching grants (depending upon the amount of STIF revenue available for this purpose). The matching grants must be used in conjunction with the local share of CEDIT. The CY 2015 certified distribution of CEDIT revenue for Lake County is \$25.4 M.

**State Agencies Affected:** RDA, SBA, DOR, OMB.

**Local Agencies Affected:** Northern Indiana Commuter Transportation District (South Shore Line) and political subdivisions in Lake County.

**Information Sources:** State Budget Agency, CY 2015 Local Option Income Tax Certified Distributions Amended November 10, 2014; LSA Fiscal Brief, *Indiana's Geographically Targeted Development Programs: Community Revitalization Enhancement Districts*, October 2014; NICTD West Lake Corridor Project website, <http://www.nictdwestlake.com/project-map.html>.

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